

Joining EBRD a win-win scenario for China

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Logo of the European Bank for Reconstruction and Development. [Photo/Agencies]

During the recent Summit of China and Central and Eastern European Countries held in Suzhou, the Chinese government invited the European Bank for Reconstruction and Development (EBRD) to attend the leaders' roundtables as observers. During this period, Premier Li Keqiang mentioned EBRD many times in his speeches. At dinner, Premier Li Keqiang and EBRD Secretary-General Enzo Quattrocioche had cordial conversations. As the EBRD consultant, I was an honored participant in these activities.

After President Xi Jinping proposed that China intended to join the EBRD during his visit to the UK in mid-October, the membership discussion was formally put on the agenda. Due to the high level of preparation, the process is progressing smoothly, and it is expected that China will soon become the 65th EBRD member. It is a very significant step and it is expected to achieve a win-win situation.

First, EBRD membership can effectively boost the implementation of the "one belt, one road" strategy. Although the major domestic banks in China are large scale, they are basically in the early stages of internationalization. They have limited business in the countries along the "one belt, one road" area and also lack a comprehensive understanding of these countries. Thus, underdeveloped financial states will directly restrict the effective implementation of the strategy. Without the support of a large amount of capital and market-based instruments, many cooperation projects will be hampered. As Premier Li noted, the financing issue is the weak link in the "16+1 cooperation" initiative.

Although many existing financial institutions have business covering the Eurasian continent, the EBRD covers most countries in the "one belt, one road" area and is the most relevant to China's promotion of economic cooperation. With branches across 35 countries in Central and Eastern Europe, Central Asia, and the southeast coast of the Mediterranean region, as well as a wealth of successful investment experience, EBRD is the best international financial institution to assist China in expanding financial cooperation in this area.

Second, China's membership provides a great opportunity for the EBRD to enhance its business. Their aim is to promote innovation and to assist in the establishment of sustainable development in open market economies. After the early 1990s, when the Cold War was over, its tenet was to improve the relatively backward economic situation in Central and Eastern Europe. In the past twenty years, under the leadership of an outstanding management team, its business has extended to Mongolia, Turkey, Russia, and many other countries.

The rise of the domestic economy and the implementation of the Belt and Road Initiative has led to an increase in investments by Chinese enterprises in the 35 countries where the EBRD has branches, and these investments will be larger in the future. China's membership in the EBRD will make it much more convenient for Chinese enterprises to cooperate with the EBRD. There are many reasons.

First, China's government policies and related measures still play a significant role in the foreign investment decisions of enterprises. The membership will make the central government strengthen communication with the EBRD which is therefore expected to participate in many projects at an earlier stage. Second, there are many State-owned enterprises in terms of both investment totals and project objectives in these 35 countries, membership will enable the EBRD and these State-owned enterprises to cooperate better. Third, the membership will assist in publicizing the EBRD in China, therefore more companies will recognize and understand it, so that when they have business needs they will take the initiative to make contact.

In addition, I believe that China's membership is only a prelude to further cooperation between China and the EBRD. The two parties can work together in many business areas in the future. For example, the 16+1 finance company proposed by Premier Li during the recent summit is the latest opportunity. Although the Industrial and Commercial Bank of China is the lead agency, the EBRD can become an important member of the 16+1 finance company due to the experience it has accumulated over the years and its array of human resources consisting of a number of senior bankers in those countries, giving it the ability to make an important contribution.

Moreover, the EBRD can actively participate in financial and investment issues related to China's Belt and Road Initiative; in addition to

strengthening cooperation with Chinese companies in these 35 countries, the EBRD can also expand its business to more countries. Third, when China becomes an EBRD member country, in addition to the benefit to both parties, the bigger winner will be the 35 developing countries where the EBRD has branches. Most of these countries have undeveloped economies and an urgent need for large-scale investment; but, although some Chinese enterprises have abundant funds, they are hesitant when making investment decisions because of the poor business environment in these countries. This is when the EBRD can play its role. If it participates in a local project with Chinese-funded enterprises, it will not only speed up the approval of investment decisions, reduce risk, and ensure investment security, ultimately enhancing the return on investment and thus, encouraging more investment by Chinese enterprises, as well as promoting economic development, and improving the living standards of the local populations.

During the 16+1 summit, China as the host received the EBRD representatives with extraordinary courtesy. Managing director of the EBRD, Jean-Marc Peterschmitt, and chairman of ICBC, Jiang Jianqing, delivered speeches from the same stage during the business forums. Although the EBRD is smaller than many of China's major banks, it plays a critical role in promoting regional development, and China's membership will drive the dreams of the EBRD to new heights.

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